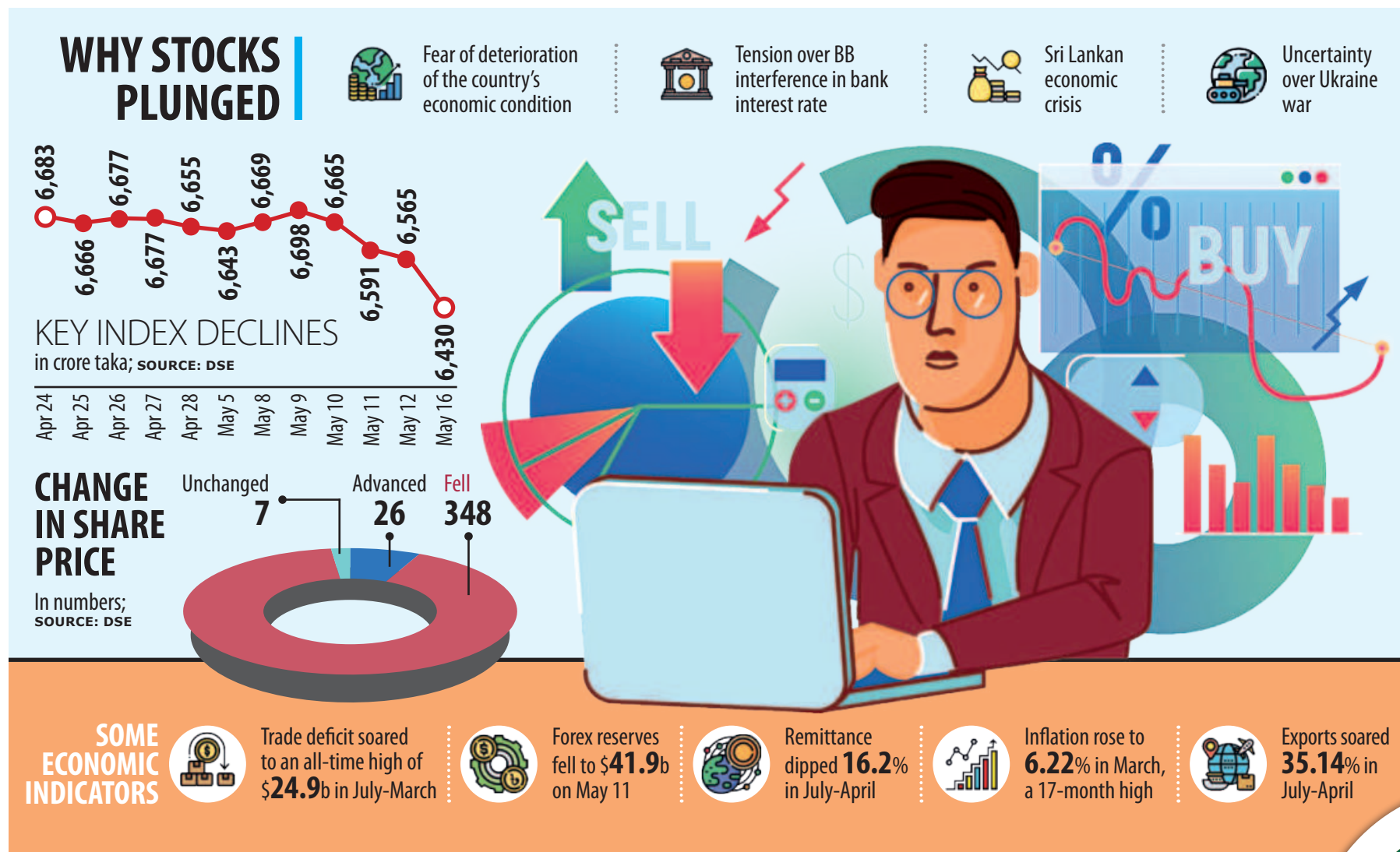


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Stocks bleed for worries over economy

DSE sees highest single-day fall in two months

STAR BUSINESS REPORT

The stock market index slid down 134 points yesterday, the steepest in a span of over two months to reach less than 6,500.

At the end of the day, the DSEX, the benchmark index of the DSE, plummeted 2.04 per cent to 6,430.

The main reason for the fall is apprehension stemming from news over the economic condition of the country and global economy, said Richard D Rozario, president of the DSE Brokers Association of Bangladesh.

The trade deficit of Bangladesh rocketed to an all-time high of \$24.90 billion between July and March.

Import payments increased 44 per cent year-on-year to \$61.5 billion in the first nine months of the current fiscal year, according to Bangladesh Bank data.

Between July and April, migrant workers sent home \$17.30 billion, down 16.2 per cent year-on-year, the data showed.

In a major blow to the households, inflation rose to 6.22 per cent in March, a 17-month high, shows data of the Bangladesh Bureau of Statistics.

The only encouraging macroeconomic indicator is export earnings and it has been stellar.

Between July and April, shipments rose 35.14 per cent.

As the US dollar was depreciated several times in the current year, foreign investors were in a mood to make sales, said Rozario.

It is a normal process because the dollar became costly with the depreciation and this hurts foreign investors, he said.

They need to make more profits to keep their real investment safe, he said, adding that the interest rate in the US market rose twice and that was also one reason behind them going for making sales.

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Taka suffers steepest fall in a decade

AKM ZAMIR UDDIN

The taka yesterday lost 0.91 per cent in value against US dollars, the sharpest single-day fall in the past one decade, amid the falling supply of the American greenback against surging demand to settle import bills.

Now, a US dollar will cost Tk 87.50, up Tk 0.80, after the Bangladesh Bank adjusted its rates for the dollar considering the market demand.

This is the fifth fall of the local currency this year and came a week after it allowed depreciation by Tk 0.25 a dollar.

"The central bank will devalue the local currency more in line with the market requirement, if needed," said Md Habibur Rahman, chief economist of the central bank.

The BB had depreciated the local currency based on the supply-demand situation of the greenback, he said.

The exchange rate stood at Tk 85.80 a dollar on December 30 and Tk 84.80 on May 16 last year.

Economists welcomed the currency devaluation, calling it time-befitting as it would help keep the country's foreign exchange reserves buoyant and rein in imports.

They also urged the government to take fiscal measures to insulate the general public from imported inflation originating from the devaluation of the taka as well as strengthen the safety-net programmes to protect the poor and the low-income groups.

The previous sharpest single-day taka devaluation came on December 12, 2011, when the central bank

depreciated the inter-bank exchange rate by Tk 1.19 to Tk 79.79 per dollar, BB data showed.

Bangladesh is under tremendous pressure to weaken the taka to protect its depleting foreign currency reserves amid soaring imports against moderate exports and falling remittances.

Despite the devaluation, many banks yesterday charged importers more than Tk 95 under the BC (bills for collection) selling arrangement due to the scarcity

of dollars. Although the central bank fixed the BC selling rate at Tk 87.60 per dollar, banks still had to ignore the BB instruction.

The taka traded at more than Tk 97 to the dollar in the kerb market, an illegal trading platform for selling and buying foreign currencies.

A BB official, wishing not to be named, says that the central bank might weaken the local currency further in the quickest possible time as the latest depreciation might not be able to stop the escalation of imports.

The exchange rate came under pressure against the dollar since the final quarter of 2021 when imports bounced back due to the pent-up demand and price increases in the global market following the improvement in the coronavirus situation.

The monthly import has shot past \$7 billion, dealing a major blow to the reserves since exports and remittances flow have not kept pace.

Between July and March, import payments escalated to \$61.52 billion, up 44 per cent year-on-year while exports grew 33 per cent to \$36.61 billion. This inflicted the highest-ever trade deficit of \$24.90 billion on Bangladesh during the period.

The trade deficit reduced the reserves to \$41.92 billion last week in contrast to \$46.15 billion on December 31. The reserves had surpassed \$48 billion in August.

Selim Raihan, executive director of the South Asian Network on Economic Modeling, says the central bank had no other scope but to depreciate the local currency to address the market demand.

"The depreciation will bring imported inflation, meaning that the poor will feel the pinch further from the increase in prices. So, the government should take fiscal measures to help the poor."

The coverage of the social safety net programmes should be widened in the upcoming budget, the economist said, adding that the ongoing open market sales of essential items should be expanded.

He also suggested the government withdraw taxes on food items as far as possible.

Mustafizur Rahman, a distinguished fellow of

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STOCKS	
DSEX ▼	CASPI ▼
2.04%	1.98%
6,330.93	18,866.56

COMMODITIES	
Gold ▲	Oil ▲
\$1,812.82	\$110.51
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.34%	▲ 0.45%	▲ 0.82%	▼ 0.34%
52,973.84	26,547.05	3,191.16	3,073.75

Envoy Textiles to get \$11m from ADB

STAR BUSINESS REPORT

The Asian Development Bank (ADB) may extend a loan of \$11 million to Envoy Textiles Ltd to help the Bangladesh textile miller purchase machinery for its second spinning unit.

The board of the textile company has given its consent to secure the loan from the Manila-based lender, said Envoy Textiles in a posting on the website of the Dhaka Stock Exchange (DSE) yesterday.

The company made a profit of Tk 35.5 crore in the first nine months of the current financial year of 2021-22, up from Tk 9.48 crore earned in the entire 2020-21

Shares of Envoy Textiles closed 1.92 per cent higher at Tk 47.80 on the premier bourse.

The repayment period of the loan is seven years, including a grace period of one and a half years.

The ADB will disburse the

loan on the fulfilment of the conditions of the due diligence agreement and the approval of the Bangladesh Investment Development Authority, according to the DSE website.

An export-oriented manufacturing company, Envoy



Textiles started commercial operation in 2008 and became a public limited company in 2012.

It set up the first denim facility in Bangladesh to use rope-dyed technology.

Envoy has a production capacity of 4.5 million yards each month and its spinning facility is capable of producing 62 tonnes of yarn per day.

The denim manufacturing facility has secured the recognition of being the world's first LEED-certified platinum factory. The Leadership in Environmental and Energy in Design (LEED) certification is

given by the United States Green Building Council.

On April 26, Envoy Textiles announced it had decided to go for signing of a know-how transfer and collaboration agreement with Jeanologia, a textile solutions company in Spain, to set up an

eco-efficient lab facility on its factory premises at an initial cost of 270,000 euros for 12 months.

The purpose of the deal is to set a joint work to transform the denim industry and become a global example in terms of innovation and sustainability and develop and explore new business models for the company to adapt to the challenges of the industry.

Envoy Textiles made a profit of Tk 35.5 crore in the first nine months of the current financial year of 2021-22, up from Tk 9.48 crore earned in the entire 2020-21, the company's financial statement showed.

Fast-track commodity exchange

Munshi tells CSE

STAR BUSINESS REPORT

Commerce Minister Tipu Munshi yesterday directed Chittagong Stock Exchange (CSE) to fast turn the commodity exchange operational.

A team from the port city bourse led by CSE Chairman Asif Ibrahim met the minister at his office to convey updates on the exchange.

The CSE appointed the Multi Commodity Exchange of India (MCX) last month as a consultant to aid the launch of the exchange.

A commodities exchange is a legal entity that determines and enforces rules and procedures for trading standardised commodity contracts and related investment products.

According to experts, a commodity exchange allows farmers to lock in prices using forward contracting.

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